Public Employees Dental Fund

Annual Report for 2015

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Government of Saskatchewan

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twenty-fourth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2015.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the twenty-fourth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2015.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Dental Fund

Introduction

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 2015 there were approximately 28,096 insured employees.

Participating Employers

The following employers participate in The Government of Saskatchewan Public Employees Dental Plan:

Advocate for Children and Youth (Office of the)
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Cafeteria Board of Saskatchewan
Chief Electoral Officer (Office of the)
eHealth Saskatchewan
Farm Land Security Board
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority (The)
Information and Privacy Commissioner (Office of the)
Information Services Corporation
Innovation Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Livestock Services of Saskatchewan Corporation
Meewasin Valley Authority
NDP Caucus Office
Ombudsman (Office of the)
Physician Recruitment Agency of Saskatchewan
Prairie Diagnostic Services Inc.
Provincial Archives of Saskatchewan
Provincial Auditor (Office of the)
Public Interest Disclosure Commissioner (Office of the)
Residential Tenancies (Office of)
Safe Saskatchewan Inc.
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Centre of the Arts
Saskatchewan Crop Insurance Corporation
Saskatchewan Government Insurance
Saskatchewan Human Rights Commission
Saskatchewan Impaired Driver Treatment Centre
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Polytechnic
Saskatchewan Pork Development Board
Saskatchewan Power Corporation
Saskatchewan Professional Teachers Regulatory Board
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Wildlife Assets Management Inc.
SaskBuilds Corporation
SaskEnergy Incorporated
SecurTek Monitoring Solutions Inc.
Technical Safety Authority of Saskatchewan
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Advocate for Children and Youth
Assistant Chief Electoral Officer
Chief Electoral Officer
Conflict of Interest Commissioner
Director of Residential Tenancies
Information and Privacy Commissioner
Judges of the Provincial Court

Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*
Ombudsman
Provincial Auditor
Public Interest Disclosure Commissioner
Senior Justices of the Peace, appointed under section 4 of *The Justices of the Peace Act, 1988*
Supervising Justice of the Peace, appointed under section 3 of *The Justices of the Peace Act, 1988*

Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits Agency, Ministry of Finance.

The Great-West Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective April 1, 2003, premium funding was paid at a straight rate of 0.9 per cent of gross salary.

Effective April 1, 2006, premium funding was paid at a straight rate of 1.4 per cent of gross salary.

Effective July 1, 2009, premium funding was paid at a straight rate of 1.15 per cent of gross salary.

Effective April 1, 2014, premium funding was paid at a straight rate of 0.85 per cent of gross salary.

Benefits

The Plan provides three levels of coverage as follows:

		Reimbursement
Level I	Preventive Services	100%
Level II	Basic & Routine Services	75%
Level III	Major Restorative Services	50%

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

Contributions/Claims Experience

	Dec 31, 2015	Dec 31, 2014
Contributions	$23,123,295	$24,229,373
Claims	$26,227,929	$24,839,897
# of Claims Paid	107,203	103,841

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Public Employees Dental Fund has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

Enclosed are the financial statements of the Public Employees Dental Fund for the year ended December 31, 2015 and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 7, 2016

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Dental Fund

Financial Statements

Year Ended December 31, 2015

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Dental Fund, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and changes in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Dental Fund as at December 31, 2015, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
April 7, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Public Employees Dental Fund **Statement 1**
Statement of Financial Position

As At December 31

	2015	2014
Financial Assets		
Due from General Revenue Fund (Note 3)	$29,169,161	$32,714,352
Employer Contributions Receivable	316,702	583,186
Interest Receivable	37,631	78,735
Other Receivables (Note 1)	-	300,000
Total Assets	29,523,494	33,676,273
Liabilities and Net Assets		
Liabilities:		
Accounts Payable and Accrued Liabilities (Note 4)	157,741	146,035
Provision for Unpaid Claims (Note 7)	791,472	735,915
Total Liabilities	949,213	881,950
Net Financial Assets (Statement 2)	$28,574,281	$32,794,323

(See accompanying notes to the financial statements)

Public Employees Dental Fund **Statement 2**
Statement of Operations and Change in Net Financial Assets

Year Ended December 31

	2015		2014
	Budget (Note 8)	Actual	Actual
Revenue			
Employer Contributions	$23,489,702	$23,123,295	$24,229,373
Interest (Note 3)	326,875	201,336	319,209
Transfer From Extended Health Care Plan (Note 1)	-	300,000	600,000
	23,816,577	23,624,631	25,148,582
Expenses			
Claims Incurred	26,028,285	26,227,929	24,839,897
Adjudication Fees	1,025,515	1,055,135	994,045
Administration Expenses (Note 4)	171,997	161,609	189,111
Enhanced Surplus Refund (Note 1)	-	400,000	-
	27,225,797	27,844,673	26,023,053
Deficit for the Year	(3,409,220)	(4,220,042)	(874,471)
Net Financial Assets, Beginning of Year	32,794,323	32,794,323	33,668,794
Net Financial Assets, End of Year (Statement 1)	$29,385,103	$28,574,281	$32,794,323

(See accompanying notes to the financial statements)

Public Employees Dental Fund
Statement of Cash Flow

Statement 3

Year Ended December 31

	2015	2014
Cash Flows From (Used In) Operating Activities:		
Employer Contributions Received	$ 23,389,779	$ 24,706,501
Interest Received	242,441	321,689
Transfer Received	600,000	300,000
Claims Paid	(26,172,373)	(24,904,415)
Administration Expenses Paid	(160,066)	(205,153)
Adjudication Fees Paid	(1,044,972)	(988,634)
Enhanced Surplus Refund Paid	(400,000)	-
Net (Decrease) in Cash	(3,545,191)	(770,012)
Due From General Revenue Fund, Beginning of Year	32,714,352	33,484,364
Due From General Revenue Fund, End of Year	$ 29,169,161	$ 32,714,352

(See accompanying notes to the financial statements)

Public Employees Dental Fund
Notes to the Financial Statements

December 31, 2015

1. Description of the Fund

The Public Employees Dental Fund (Dental Fund) is used to account for the transactions of the Public Employees Dental Plan (Plan). The Plan was established February 1, 1982 and continues under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. The Plan consists of core and enhanced dental benefits.

The Plan is funded entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*, and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Participating employers pay for the core benefits by contributing 0.85 per cent of gross salary.

Enhanced dental benefits are provided to employees of certain participating employers. Each participating employer pays for any enhanced benefits it provides to its employees. Participating employers pay for these enhanced benefits by contributing a straight percentage of gross salary, a predetermined amount per employee, or lump-sum payments. These employers are responsible to ensure amounts contributed are sufficient to pay for the enhanced benefits and administration costs. If amounts contributed are not sufficient to pay for the enhanced benefits and administration costs, the employers must remit additional contributions. Where contributions exceed the enhanced benefits and administration costs, employers may seek a refund of surplus contributions by submitting a formal request to the Dental Fund. During the year, the Dental Fund paid out a refund of enhanced surplus contributions of $400,000 (2014 - $0) to Saskatchewan Workers' Compensation Board. At December 31, 2015, an accumulated surplus of $2,024,458 (2014 - $2,476,573) relating to the enhanced benefits is included in net financial assets.

The Extended Health Care Plan, Joint Board of Trustees (Joint Board) authorized PEBA to transfer adequate resources from the PS/GE SGEU Benefit Plans' Surplus Fund to the Dental Fund in order to provide enhanced dental benefits to participating SGEU members to December 31, 2015. Accordingly, on December 22, 2015, the Joint Board authorized a transfer of $300,000 (2014 - $600,000) from the PS/GE SGEU Benefit Plans' Surplus Fund to the Dental Fund.

PEBA administers the Plan. Under an agreement with the Great-West Life Assurance Company, claims are adjudicated and processed for payment.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. The following accounting policies are considered significant:

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Transfers from Extended Health Care Plan

Extended Health Care Plan Transfers are recorded as income when authorized by the Joint Board.

d) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon past claims experience.

e) Accounts Payable and Accrued Liabilities

The estimate of adjudication expenses to be incurred on claims not yet paid is included in the provision for accounts payable.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets, if any, and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Significant items subject to such estimates and assumptions include the determination of the provision for unpaid claims and adjudication expenses to be incurred on claims not yet paid. Claims payable includes an estimated accrual for unpaid claims not reported for 2015 of $693,020 (2014 - $691,129) with related adjudication expenses on these claims of $27,305 (2014 - $27,230). Actual results could differ from those estimates.

g) Financial Assets and Liabilities

The Canadian Public Sector Accounting Handbook, Section 3450 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been categorized in one of two measurement categories: fair value, cost or amortized cost.

The Dental Fund's financial assets include due from the General Revenue Fund, employer contributions receivable, interest receivable and other receivables. The Dental Fund's financial liabilities include accounts payable and accrued liabilities, and the provision for unpaid claims. The Dental Fund has categorized and measured all its financial assets and financial liabilities at cost. The Dental Fund has no derivative financial instruments and does not have any contracts with embedded derivatives.

3. Due from General Revenue Fund

The Dental Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty-day borrowing rate, and the Dental Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in 2015 was 0.65 per cent (2014 – 0.96 per cent).

4. Administration Expenses

PEBA administers the Dental Fund for a mutually agreed upon fee. The Dental Fund pays these administration expenses on dates agreed to by PEBA. Included in accounts payable is $35,134 (2014 - $33,588) due to PEBA.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Dental Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). These transactions are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contribution receivables are from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

6. Financial Risk Management

The nature of the Dental Fund's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk and liquidity risk. The Dental Fund is not exposed to any market risk as the Dental Fund does not invest excess cash outside of its bank account.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Dental Fund's credit risk arises primarily from the following distinct sources:

	2015	2014
Due from General Revenue Fund	$ 29,169,161	$ 32,714,352
Employer contributions receivable	316,702	583,186
Interest receivable	37,631	78,735
Other receivable	-	300,000

The maximum credit risk to which the Dental Fund is exposed is limited to the carrying value of the financial assets summarized above.

Credit risk is managed by dealing with only reputable sources. Risk on employer contribution receivable is minimal as all monthly contributions are received from employers within 30 days. The Due from General Revenue Fund account is minimal risk as the funds are held in the Dental Fund's own bank account under the Consolidated Offset Bank arrangement for the Government of Saskatchewan. The risk on the interest receivable is minimal as the receivable relates to bank interest. The risk on other receivables is minimal as this receivable is an authorized transfer from the PS/GE SGEU Benefit Plans' Surplus Fund. There has been no change in the risk exposure in 2015.

Liquidity risk

Liquidity risk is the risk that the Dental Fund is unable to meet its financial obligations as they fall due. The Dental Fund manages this risk by holding significant funds in its bank account (Due from General Revenue Fund). There has been no change in the risk exposure in 2015.

7. Provision for Unpaid Claims

The provision for unpaid claims includes claims that have been incurred but not yet reported at year end.

Management estimated the claims incurred but not reported at year end totaled $693,020 (2014 - $691,129). The establishment of the estimate for unpaid claims incurred but not yet reported relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term. However, dental claims are short-term claims and tend to be reasonably predictable.

Claims reported but not paid until January 2016 totaled $98,452 (2015 - $44,786). In 2015, the Dental Fund paid $636,181 related to claims incurred prior to December 31, 2014 (2014 - $731,494).

8. Budget

PEBA approved the annual budget for the Dental Fund on November 27, 2014.